

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chairman*

JOSEPH E. CONNARTON, *Executive Director*

Auditor SUZANNE M. BUMP | KATHLEEN M. FALLON | KATE FITZPATRICK | JAMES M. MACHADO | ROBERT B. McCARTHY | JENNIFER F. SULLIVAN

MEMORANDUM

TO: Shrewsbury Retirement Board

FROM: Joseph E. Connarton, Executive Director

RE: Approval of Funding Schedule

DATE: November 3, 2016

This Commission is hereby furnishing you with approval of the revised funding schedule you recently adopted (copy enclosed). The schedule is effective in FY17 (since the amount under the prior schedule was maintained in FY17) and is acceptable under Chapter 32.

The revised schedule reflects a 7.5% investment return assumption (a reduction from the 8.0% assumption used in the prior valuation) and the adoption of a fully generational mortality assumption. The schedule also reflects the adoption of other demographic assumptions based on a recent experience study performed by your actuary. Although the revised assumptions are less conservative than the current standard PERAC assumptions, which we continue to believe are reasonable, we have not performed a recent experience analysis for local systems to compare our findings with the results of your study.

The revised schedule maintains the FY17 appropriation but reduces the FY18 appropriation from the prior schedule by approximately \$127,000. The FY19 amount is reduced by approximately \$379,000. We often find that once a pension budget has been reduced, it is difficult to increase it in future years. So if we were preparing the funding schedules, we would have tried to provide a schedule with FY18 and FY19 amounts similar to the prior schedule. This could be accomplished by either reducing the length of the schedule, and/or adjusting the amortization basis. We recognize that the schedule will fully fund the system in FY20. However, investment losses, actuarial losses, or assumption changes could extend that date. We are available to work with you in developing a strategy when the system attains full funding.

If you have any questions, please contact PERAC's Actuary, Jim Lamenzo, at (617) 666-4446, extension 921.

Enc.



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Appropriation Forecast

Fiscal		Employer	Amortization	Employer	Employer		
Year		Employee	Normal Cost	Payments	Total Cost	Total Cost	Funded
Ending	Payroll*	Contribution	with Interest	with Interest	with Interest	% of Payroll	Ratio %**
2017	\$23,692,881	\$2,047,500	\$598,369	\$5,529,409	\$6,127,778	25.9	83.8
2018	\$24,640,596	\$2,147,715	\$603,026	\$5,649,258	\$6,252,284	25.4	87.6
2019	\$25,626,220	\$2,252,670	\$607,099	\$5,652,483	\$6,259,582	24.4	91.7
2020	\$26,651,269	\$2,362,586	\$610,533	\$5,654,080	\$6,264,613	23.5	95.8
2021	\$27,717,320	\$2,477,691	\$613,270	\$0	\$613,270	2.2	100.0
2022	\$28,826,012	\$2,598,224	\$615,249	\$0	\$615,249	2.1	100.0
2023	\$29,979,053	\$2,724,435	\$616,406	\$0	\$616,406	2.1	100.0
2024	\$31,178,215	\$2,856,586	\$616,670	\$0	\$616,670	2.0	100.0
2025	\$32,425,344	\$2,994,950	\$615,970	\$0	\$615,970	1.9	100.0
2026	\$33,722,357	\$3,139,813	\$614,226	\$0	\$614,226	1.8	100.0
2027	\$35,071,252	\$3,291,473	\$611,358	\$0	\$611,358	1.7	100.0
2028	\$36,474,102	\$3,450,242	\$607,278	\$0	\$607,278	1.7	100.0
2029	\$37,933,066	\$3,616,446	\$601,892	\$0	\$601,892	1.6	100.0
2030	\$39,450,388	\$3,790,425	\$595,105	\$0	\$595,105	1.5	100.0
2031	\$41,028,404	\$3,972,537	\$586,811	\$0	\$586,811	1.4	100.0
2032	\$42,669,540	\$4,163,154	\$576,902	\$0	\$576,902	1.4	100.0
2033	\$44,376,322	\$4,362,663	\$565,261	\$0	\$565,261	1.3	100.0
2034	\$46,151,375	\$4,571,473	\$551,765	\$0	\$551,765	1.2	100.0
2035	\$47,997,430	\$4,790,006	\$536,286	\$0	\$536,286	1.1	100.0
2036	\$49,917,327	\$5,018,708	\$518,685	\$0	\$518,685	1.0	100.0
2037	\$51,914,020	\$5,258,043	\$498,819	\$0	\$498,819	1.0	100.0
2038	\$53,990,581	\$5,508,494	\$476,533	\$0	\$476,533	0.9	100.0
2039	\$56,150,204	\$5,770,568	\$451,666	\$0	\$451,666	0.8	100.0
2040	\$58,396,212	\$6,044,794	\$424,048	\$0	\$424,048	0.7	100.0
2041	\$60,732,061	\$6,331,726	\$393,497	\$0	\$393,497	0.6	100.0
2042	\$63,161,343	\$6,631,941	\$359,823	\$0	\$359,823	0.6	100.0
2043	\$65,687,797	\$6,897,219	\$374,216	\$0	\$374,216	0.6	100.0
2044	\$68,315,309	\$7,173,107	\$389,185	\$0	\$389,185	0.6	100.0
2045	\$71,047,921	\$7,460,032	\$404,752	\$0	\$404,752	0.6	100.0
2046	\$73,889,838	\$7,758,433	\$420,942	\$0	\$420,942	0.6	100.0
2047	\$76,845,431	\$8,068,770	\$437,780	\$0	\$437,780	0.6	100.0
2048	\$79,919,248	\$8,391,521	\$455,291	\$0	\$455,291	0.6	100.0

* Calendar basis

** Beginning of Fiscal Year